

CHINA'S WORLD TRADE AND INVESTMENT: AN OVERVIEW

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CONTENTS

EXECUTIVE SUMMARY	1
TABLE 1: EXPORTS, IMPORTS AND FOREIGN RESERVES, CHINA AND SELECTED ASIAN COUNTRIES, 2002 AND 2001	4
TABLE 2: CURRENT ACCOUNT BALANCES AND FOREIGN RESERVES, 1990-2002, CHINA AND SELECTED ASIAN COUNTRIES.....	5
TABLE 3: COMMERCIAL SERVICES EXPORTS AND IMPORTS, CHINA AND HONG KONG, 1991-2001	6
TABLE 4: MERCHANDISE TRADE, CHINA, HONG KONG & TAIWAN, 1990-2001.....	7
TABLE 5: CHINA'S SHARES IN WORLD MERCHANDISE TRADE	8
TABLE 6: LEADING EXPORTERS & IMPORTERS IN WORLD MERCHANDISE TRADE, 2001	9
TABLE 7: LEADING EXPORTERS & IMPORTERS OF MANUFACTURES, 2001.....	10
TABLE 8: GLOBAL MERCHANDISE TRADE BALANCES OF CHINA AND SELECTED COUNTRIES, 2000-2003.....	12
TABLE 9: COMPOSITION OF CHINA'S TRADE WITH THE WORLD BY MAJOR PRODUCT GROUPS, SELECTED YEARS	13
TABLE 10: CHINA'S MANUFACTURES TRADE BY SELECTED PRODUCT GROUPS	14
TABLE 11: US, EU, AND JAPAN TRADE WITH CHINA, BY MAJOR PRODUCT CATEGORIES, 1999-2001	16
TABLE 12: US BALANCE OF TRADE BY COUNTRY, 2000-2003	17
TABLE 13: TOP US EXPORT DESTINATIONS, 2000-2003.....	18
TABLE 14: TOP US IMPORT SUPPLIERS, 2000-2002.....	19
TABLE 15: TOP US IMPORTS FROM CHINA BY MAJOR PRODUCT GROUPS, 2000-2002.....	20
TABLE 16: US BALANCE OF TRADE WITH CHINA BY MAJOR PRODUCT GROUPS, 2000-2002	21
TABLE 17: US RELATED PARTY TRADE IMPORTS, CHINA & SELECTED COUNTRIES, 1992-2002	22
TABLE 18: US RELATED PARTY TRADE EXPORTS, CHINA AND SELECTED COUNTRIES, 1992-2002	23
TABLE 19: US RELATED PARTY TRADE WITH CHINA, 1992-2002	24
TABLE 20: FOREIGN DIRECT INVESTMENT INFLOWS BY HOST COUNTRY, CHINA AND SELECTED HOST COUNTRIES, 1990-2001	25
TABLE 21: WORLD FOREIGN DIRECT INVESTMENT INWARD STOCK BY HOST COUNTRY, CHINA & SELECTED HOST COUNTRIES	27
TABLE 22: WORLD FOREIGN DIRECT INVESTMENT OUTWARD STOCK BY HOME COUNTRY, CHINA AND SELECTED COUNTRIES	29
TABLE 23: WORLD INWARD & OUTWARD FOREIGN DIRECT INVESTMENT FLOWS AS A PERCENT OF GROSS FIXED CAPITAL FORMATION, CHINA AND SELECTED COUNTRIES.....	31
TABLE 24: WORLD INWARD AND OUTWARD FOREIGN DIRECT INVESTMENT STOCKS AS A PERCENT OF GROSS DOMESTIC PRODUCT....	33
TABLE 25: FOREIGN DIRECT INVESTMENT IN CHINA, (TOTAL AND US), 1979-2002	35
TABLE 26: TOP REGIONS/ECONOMIES FOREIGN DIRECT INVESTMENTS IN CHINA, 2001	36
TABLE 27: TYPES OF FOREIGN DIRECT INVESTMENTS IN CHINA, 2001-2002	37
TABLE 28: SECTORED COMPOSITION OF CHINA'S UTILIZED FOREIGN DIRECT INVESTMENT, 2002	38
TABLE 29: US DIRECT INVESTMENT POSITION ON A HISTORICAL COST BASIS, CHINA AND SELECTED COUNTRIES	39

EXECUTIVE SUMMARY

- Over the last ten years China has emerged as a major force in international trade, particularly in manufactured goods. Its huge potential markets, vast supply of low-cost labor, and growing manufacturing competence have attracted large amounts of foreign investment that have led to dramatic increases in China's exports and imports. In turn, these increases have resulted in major changes in global trade volumes and patterns.
- Concurrent with the growth of its trade and consistent trade surpluses, China's foreign reserves increased dramatically to a recent level of about \$356 billion, compared to Japan reserves of \$451 billion.
- At end-2002 China's foreign reserves were equivalent to 89.4 percent of its 2002 goods exports, 98.6 percent of its imports. Japan's reserves were 89.4 percent of its exports, 98.6 percent of its imports. Comparable 2002 relationships for Taiwan were 96.9 and 114.1 percent.
- The growth in China's reserves, however, stems not only from trade surpluses – best measured by current account balances that reflect both goods and services trade -- but as well from investment capital inflows. During the 1991-2002 period China had a cumulative current account surplus of \$191.0 billion but its foreign reserves rose by \$262.5 billion. Over the same period Japan had a cumulative current account surplus of \$1.309 billion but its foreign reserves increased by only \$372.2 billion.
- China consistently runs deficits on its international services trade -- \$6 billion in 2001 – that partly offset its goods trade surpluses. China's peak goods trade surplus was in 1998, \$43.3 billion, but balances have since been declining and 2003 may bring a surplus of only \$10 billion or less. Japan's has frequently run trade surpluses of \$100 billion or more and its 2003 surplus will likely be upwards of \$93 billion.
- China's growth as a force in international trade has been quite remarkable. Its share of world goods exports rose from only 1.8 percent in 1990 to 4.3 percent in 2001, making it the world's 6th-ranking exporter. Imports rose from 1.5 percent of the 1990 world total to 3.8 percent in 2001, making it also the 6th-ranking goods importer.
- China's trade expansion has been achieved almost totally in manufactured goods; 88.6 percent of its 2001 goods exports were manufactures, up from 71.4 percent in 1990. In 2001 it was the 4th largest exporter of manufactured goods, lagging only the EU, US, and Japan. In 2003 China will narrow the gap between it and 3rd-ranking Japan; possibly surpass Japan.
- The US, EU, and Japan all run trade deficits with China but US deficits are much larger. 2002 deficits with China were: US, \$90.2 billion; EU, \$42.8 billion; Japan, \$26.8 billion. China's surpluses with these and other developed countries are partly offset by deficits with a number of Asian suppliers of parts and raw materials inputs for China's manufactures.
- Although China's goods trade surplus will likely decline this year to \$10 billion or less, the US trade deficit with China will rise to new high, probably in excess of \$108 billion and substantially larger than a projected deficit with Japan of upwards of \$64 billion. China will account for more than one-fifth of the US goods trade deficit in 2003.

- US imports from China are dominated by electronic and electrical consumer goods, as well as large quantities of Toys and Sporting Goods (\$14.4 Bn in 2002), Footwear (\$10.2 Bn), Furniture and Bedding (\$9.9 Bn in 2002) -- and a wide variety of other low-technology consumer goods.
- Data on “Related party trade” -- exports to and imports from the foreign affiliates of US companies -- provides one measure of the effects of US Foreign Direct Investments on US trade flows. The portion of total US imports from China coming from “Related Parties” has grown from 10.5 percent in 1992 to 20.5 percent in 2002; exports from 4.9 percent to 12.3 percent. However, because exports to China are small the 12.3 percent to related parties was only \$2.5 billion, whereas the 20.5 percent share of related party imports from China was a substantial \$25.5 billion.
- During the 1990s China became a major destination of Foreign Direct Investment (FDI). As reported by China, its FDI inflows have been quite stable in recent years, ranging from \$40 billion in 1995 to almost \$47 billion in 2001, 6.4 percent of the world total inflows of \$735 billion reported by UNCTAD in 2001 and down from a 10.4 percent share of 1996 world inflows.
- According to UNCTAD, World Inward FDI stocks reached \$6.8 trillion in 2001, more than double the \$2.9 trillion 1995 level. China's stock of FDI rose that year to \$395.2 billion, 5.8 percent of the world total. Hong Kong's stock in 2001 was \$451.9 billion, 6.6 percent of the world total. Thus, ignoring indeterminate amounts of double counting that would result from combining inflows to the two countries (much of the investment reported as made in Hong Kong is recycled to China), China and Hong Kong together hosted some 12.4 percent of world FDI stocks in 2001.
- Per UNCTAD data, the United States is the largest single country source of FDI, with \$1.382 billion invested abroad, 21.1 percent of the world total, followed by the UK, \$943 billion, 14.4 percent of the total.
- FDI flows expressed as a percent of gross fixed capital formation can provide a crude measure of the importance of FDI in an economy's capital formation. According to UNCTAD data, inward FDI flows in 2000 were equivalent to 22.0 percent of world gross fixed capital formation; for China inward flows were 10.5 percent of its Gross Fixed Capital Formation.
- Similarly, FDI Stocks – the accumulation of FDI inflows in a country – expressed as a percent of Gross Domestic Product can provide a rough indicator of the importance of FDI to a nation's economy. For the world as a whole FDI stocks in 2000 were equivalent to about 20.0 percent of world GDP. China's stocks were equivalent to 32.3 percent of its GDP.
- According to China data, in 2002 the US was the source of \$5.4 billion of FDI, 10.2 percent of the total. Also according to China data, over the 11 years 1992-2001 the US provided \$37.6 billion of FDI, 8.9 percent of the \$422.9 billion total from all source countries.
- China data indicate that the vast majority of FDI comes from Asian sources. In 2001, 63.7 percent came from Asian sources – 36.0 percent from Hong Kong alone -- and only 8.7 percent from the EU and 10.4 percent from the US.
- China Ministry of Foreign Trade and Economic Cooperation data indicate that the majority of FDI is invested by “Wholly Foreign Owned Enterprises”, 60.2 percent of the total in 2002, up from 50.3 percent in 2001. Equity Joint Ventures are the next largest type of FDI, 28.4 percent in 2002, down from 34.7 percent in 2001.

- Ministry data show that the overwhelming majority of China's incoming FDI is going to its manufacturing sector, 69.8 percent in 2002, up from 56.1 percent in 1999 and 63.5 percent in 2000.
- US Department of Commerce data indicate a much smaller amount of US FDI in China than do China's data. US data show a total stock position at end-2002 of only \$10.3 billion, far less than would be indicated by the inflows from the US recorded by China's data, which summed to \$37.6 billion over the 1992-2001 period. Part of the discrepancy is due to the fact that US data record only the first destination of US FDI; not the ultimate destination. Thus, some FDI recorded in US data as going to Hong Kong and other popular recycling destinations, such as the Virgin Islands, may well wind up in China. According to US data, US FDI in Hong Kong at end-2002 totaled \$35.8 billion.
- US data show US FDI in China as only 0.7 percent of total US FDI abroad, with FDI in Hong Kong at 2.4 percent of the US world total.

**TABLE 1: EXPORTS, IMPORTS AND FOREIGN RESERVES,
CHINA AND SELECTED ASIAN COUNTRIES, 2002 AND 2001**

	Billions of Dollars			Reserves Percent of:	
	Reserves	Exports	Imports	Exports	Imports
China (2002)	291.1	325.6	295.3	89.4%	98.6%
Japan (2002)	451.2	417.2	338.0	108.1%	133.5%
South Korea (2002)	121.3	162.5	152.1	74.6%	79.8%
Taiwan (2001)	122.2	126.2	107.1	96.8%	114.1%
Singapore (2001)	75.4	121.8	116.1	61.9%	64.9%
Hong Kong (2001)	111.2	191.1	202.0	58.2%	55.0%
		Dom. 20.3	Ret. 31.2	547.8%	356.4%

Source: World Trade Atlas, WTO International Trade Statistics 2000, and IMF

- The rapid increase of China's international trade and the increased flow of investment into China have drawn attention to the similarly large increase in its foreign reserves which, at end 2000 reached \$291.1 billion and have since grown to \$356.5 billion.
- China's reserves, while large, remain smaller than those of Japan, which totaled \$451.2 billion at end-2002.
- At end-2002 China's foreign reserves were 89.4 percent of its 2002 goods exports, 98.6 percent of its imports. Japan's reserves were 108.1 percent of exports, 133.5 percent of imports. Similar relationships for Taiwan were, respectively, 96.9 and 114.1 percent.
- At \$111.2 billion Hong Kong's 2001 reserves were just over half of both total exports and total imports. But the vast bulk of Hong Kong's trade is re-exports and its reserves were equivalent to 5 ½ times its domestic exports and 3 ½ times its retained imports.

TABLE 2: CURRENT ACCOUNT BALANCES AND FOREIGN RESERVES, 1990-2002, CHINA AND SELECTED ASIAN COUNTRIES

	Billions of Dollars												
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
China													
Current Account	11.9	13.1	6.2	-11.7	6.5	1.3	5.6	32.5	31.2	21.1	20.5	17.4	35.4
Reserves	28.6	43.7	20.6	22.4	52.9	75.4	107.0	142.8	149.2	137.8	163.3	215.6	291.1
Japan													
Current Account	49.9	75.5	106.1	125.7	127.0	113.2	54.2	92.4	118.3	115.2	119.5	89.3	111.8
Reserves	78.9	72.1	71.6	98.5	125.9	183.3	216.6	219.7	215.5	286.9	354.9	395.2	451.2
South Korea													
Current Account	-2.0	8.3	-3.9	1.0	-3.9	-8.5	-23.0	-8.2	40.4	24.5	12.2	8.2	6.1
Reserves	14.8	13.7	17.1	20.2	25.6	32.7	34.0	26.4	52.0	74.0	96.1	102.8	121.3
Taiwan													
Current Account	10.9	12.5	8.5	7.0	6.5	5.5	10.9	7.1	3.4	8.4	8.9	17.9	25.7
Reserves							88.0	83.5	90.3	106.2	106.7	122.2	161.7
Singapore													
Current Account	3.1	4.9	5.9	4.2	11.4	10.9	10.5	11.2	19.0	14.3	12.4	14.0	15.5
Reserves	27.7	34.1	39.3	43.4	58.2	65.7	75.8	71.3	74.9	76.5	80.1	75.4	82.0
Hong Kong													
Current Account	6.7	5.1	5.8	8.6	2.1	-5.5	-1.6	-5.3	4.4	12.0	9.1	12.3	17.6
Reserves	24.6	21.8	35.2	43.0	49.3	55.4	63.8	92.8	89.7	96.2	107.5	111.2	111.9

Source: International Monetary Fund

- A nation's international trade performance is an important factor in determining the amount and direction of its foreign reserves. Other things equal, trade surpluses tend to increase foreign reserves; deficits tend to decrease reserves. But trade performance is not the only factor. International investment flows also play a major role -- sometimes the dominant role.
- Annual performance in international trade in goods and services is best measured by current account balances, which include trade in services as well as goods trade. China's emergence as a major trading nation began in the early 1990s. China typically ran relatively modest current account surpluses over the 1991-2002 period, with a peak surplus of \$35.4 billion in 2002 and two additional surpluses over \$30 billion over the 13 year period.
- During the same thirteen year period Japan consistently ran much larger current account surpluses, including eight over the \$100 billion level.
- Over the 13 year period China had a cumulative current account surplus of \$191.0 billion; Japan's surplus was \$1,309 billion. More than \$1.1 trillion larger. But during this time China's reserves increased by \$262.5 billion, considerably more than its \$191.0 billion current account surplus. Japan's foreign reserves increased by \$372.2 billion, much less than its \$1,309.1 billion cumulative surplus for the period.

**TABLE 3: COMMERCIAL SERVICES EXPORTS AND IMPORTS,
CHINA AND HONG KONG, 1991-2001**

	Billions of Dollars										
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
China											
Exports	6.86	9.11	10.99	16.35	18.43	20.57	24.50	23.88	26.47	30.15	32.90
Imports	3.94	9.21	11.56	15.78	24.64	22.37	27.72	26.47	30.97	35.86	39.03
Balance	2.92	-0.10	-0.57	0.57	-6.21	-1.80	-3.22	-2.59	-4.50	-5.71	-6.13
Hong Kong											
Exports	20.57	24.29	27.69	31.14	34.34	38.30	38.51	33.67	36.56	41.55	42.43
Imports	12.72	14.44	15.59	18.64	20.80	22.10	23.28	26.05	24.87	25.56	25.08
Balance	7.85	9.85	12.10	12.50	13.54	16.20	15.23	7.62	11.69	15.99	17.35

Source: WTO International Trade Statistics, 2002, Tables A.6 and A.7

- As is true of most nations, China's current account goods and services trade balances are determined primarily by its goods trade. Goods exports in 2001 were about 8 times services exports. China's goods trade consistently yields surpluses but its services trade yields deficits, \$6 billion in 2001.
- China runs surpluses in the "Travel" (tourism) component of Business Services but deficits on "Transportation" and "Other Business Services." The latter includes a wide variety of services including Royalties and License Fees, Insurance, Financial Services, Telecommunications, etc.
- Hong Kong consistently generates significant surpluses in its services trade; over \$17 billion in 2001.

TABLE 4: MERCHANDISE TRADE, CHINA, HONG KONG & TAIWAN, 1990-2001

	Billions of Dollars											
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
China												
Exports	62.1	71.9	84.9	91.7	121.0	148.8	151.0	182.9	183.6	195.2	249.3	266.2
Imports	53.3	63.8	80.6	104.0	115.6	132.1	138.8	142.2	140.3	165.8	225.1	243.6
Balance	8.8	8.1	4.3	-12.3	5.4	16.7	12.2	40.7	43.3	29.4	24.2	22.6
Hong Kong												
Exports - Total	82.4	98.7	119.6	135.4	151.5	173.9	180.9	188.2	174.9	174.4	202.4	191.1
Exports - Domestic	29.0	29.7	30.3	28.8	28.7	29.9	27.4	27.3	24.6	22.4	23.7	20.3
Re-Exports	53.4	68.9	89.3	106.6	122.7	143.9	153.5	160.9	150.3	152.0	178.8	170.8
Imports - Total	84.7	103.9	127.3	141.3	165.9	196.1	201.3	213.3	186.8	180.7	214.2	202.0
Imports - Retained	31.3	35.0	38.0	34.8	43.2	52.1	47.8	52.4	36.5	28.7	35.4	31.2
Balance (Export-Domestic minus Import-Retained)	-2.3	-5.3	-7.7	-6.0	-14.5	-22.2	-20.4	-25.1	-11.9	-6.3	-11.7	-10.9
Taiwan												
Exports	67.1	76.1	81.4	84.7	92.9	111.6	115.7	121.1	110.5	121.5	148.3	122.5
Imports	54.8	63.1	72.2	77.1	85.5	103.7	101.3	113.9	104.9	111.0	140.0	107.3
Balance	12.3	13.0	9.2	7.6	7.4	7.9	14.4	7.2	5.6	10.5	8.3	15.2

Source: Tables A.5 and A.6, WTO International Trade Statistics, 2001 and 2002

- China has rapidly become a major factor in world merchandise (goods) trade. Goods exports rose from \$62 billion in 1990 to \$266 billion in 2001. Exports in 2003 will likely reach \$400 billion, a more than six-fold increase over the 1990 level.
- Import growth has been even more rapid, likely reaching \$385 billion in 2003, a more than seven-fold increase from the 1990 level.
- China runs consistent merchandise (goods) trade surpluses. Its goods surpluses, however, peaked in 1998 at \$43.3 billion and have been declining since then. The 2003 surplus will likely be less than \$20 billion, perhaps \$10 billion or less.
- Hong Kong runs persistent modest deficits on its goods trade. Deficits occur both in its total goods trade, including re-exports of imported goods, and on trade on exports of goods originating in Hong Kong and imports retained in Hong Kong. Recent deficits have ranged from \$6 to \$25 billion.
- Over the 1990 to 2001 period Taiwan's consistent trade surpluses have ranged from a low of \$5.6 billion in 1998 to a high of \$15.2 billion in 2001.

TABLE 5: CHINA'S SHARES IN WORLD MERCHANDISE TRADE

	Percentage					
	1980	1990	1998	1999	2000	2001
Merchandise Trade						
Exports	n.a.	1.8	3.4	3.6	3.9	4.3
Imports	n.a.	1.5	2.5	2.9	3.4	3.8
Agricultural						
Exports	1.5	2.4	2.5	2.6	2.9	3.0
Imports	1.9	1.7	2.1	2.4	3.2	3.4
Food						
Exports	1.4	2.5	2.7	2.7	3.1	3.3
Imports	1.4	1.4	1.4	1.4	1.9	2.1
Manufactures						
Exports	0.8	1.9	4.0	4.1	4.7	5.3
Imports	1.1	1.7	2.7	3.0	3.5	4.1

Source: WTO International Trade Statistics, 1999, 2000, 2001, 2002

- In share terms, China's international goods trade advance has been equally dramatic, rising from only 1.8 percent of world goods exports in 1980 to 4.3 percent in 2001.
- Imports rose from 1.5 percent of the world 1990 total to 3.8 percent in 2001.
- Expansion of China's shares of world manufactured goods trade has been even more rapid, increasing to 5.3 percent of world exports and 4.1 percent of imports in 2001
- 2002 and 2003 data, when available, will reveal still further growth in China's shares of world goods trade, particularly its manufactures trade.

TABLE 6: LEADING EXPORTERS & IMPORTERS IN WORLD MERCHANDISE TRADE, 2001

Rank	Exporters	\$ Bn Value	% Share	Rank	Importers	\$ Bn Value	% Share
1	United States	730.8	11.9%	1	United States	1,180.2	18.3%
2	Germany	570.8	9.3%	2	Germany	492.8	7.7%
3	Japan	403.5	6.6%	3	Japan	349.1	5.4%
4	France	321.8	5.2%	4	United Kingdom	331.8	5.2%
5	United Kingdom	273.1	4.4%	5	France	325.8	5.1%
6	China	266.2	4.3%	6	China	243.6	3.8%
7	Canada	259.9	4.2%	7	Italy	232.9	3.6%
8	Italy	241.1	3.9%	8	Canada	227.2	3.5%
9	Netherlands	229.5	3.7%	9	Netherlands	207.3	3.2%
10	Hong Kong	191.1	3.1%	10	Hong Kong	202.0	3.1%
	domestic exports	20.3	0.3%		retained imports	31.2	0.5%
	re-exports	170.8	2.8%				
11	Belgium	179.7	2.9%	11	Mexico	176.2	2.7%
12	Mexico	158.5	2.6%	12	Belgium	168.7	2.6%
13	Korea, Republic of	150.4	2.4%	13	Korea, Republic of	141.1	2.2%
14	Taipei, China	122.5	2.0%	14	Spain	142.7	2.2%
15	Singapore	121.8	2.0%	15	Singapore	116.0	1.8%
	domestic exports	66.10	1.1%		retained imports	60.4	0.9%
	re-exports	55.60	0.9%				
Total Above 15		4,220.7	68.6%	Total Above 15		4,537.4	70.4%
Total World		6,155.0	100.0	Total World		6,441.0	100.0

Source: Table I.5, WTO International Trade Statistics, 2002

- The rapid growth of China's trade by 2001 made it both the 6th ranking goods exporter and importer country.
- Continued rapid growth in 2002 and 2003 will probably raise China to 4th ranking exporter and importer in 2003, passing both France and the United Kingdom.
- At current rates of growth China will likely pass Japan as both a goods exporter and importer in the near term future.

TABLE 7: LEADING EXPORTERS & IMPORTERS OF MANUFACTURES, 2001

Rank	Exporters	Value \$ Bn	Share In World Exports Percentage			
		2001	1980	1990	2000	2001
1	European Union (15)	1,881.9	50.7	50.3	39.5	42.0
	External Exports	766.4	21.3	18.1	16.6	17.0
2	United States	602.4	13.0	12.1	14.0	13.5
3	Japan	373.7	11.2	11.5	9.7	8.3
4	China	235.8	0.8	1.9	4.7	5.3
5	Hong Kong, China	182.0				
	Domestic Exports	18.8	1.2	1.1	0.5	0.4
	Re-exports	163.2				
6	Canada	161.0	2.7	3.1	3.8	3.6
7	Korea, Republic of	135.5	1.4	2.5	3.3	3.0
8	Mexico	134.8	0.4	1.1	3.0	3.0
9	Taipei, China	116.4	1.6	2.6	3.0	2.6
10	Singapore	102.6	0.8	1.6	2.5	2.3
	Domestic Exports	52.0	0.4	1.0	1.4	1.2
	Re-exports	50.6	0.3	0.6	1.2	1.1

Rank	Importers	Value \$ Bn	Share In World Imports Percentage			
		2001	1980	1990	2000	2001
1	European Union (15)	1,760.9	41.0	45.9	38.5	37.8
	External Exports	639.4	12.2	14.3	13.8	13.7
2	United States	905.5	11.2	15.4	20.0	19.4
3	Japan	192.5	2.3	4.1	4.4	4.2
4	China	189.9	1.1	1.7	3.5	4.1
5	Hong Kong, China	182.5				
	Retained Imports*	19.3	1.1	0.9	0.5	0.4
6	Canada	182.4	3.7	3.8	4.2	3.9
7	Mexico	167.3	1.5	1.3	3.1	3.6
8	Singapore	93.2	1.2	1.8	2.3	2.0
	Retained Imports	42.6	0.8	1.2	1.2	0.9
9	Korea, Republic of	84.6	0.9	1.8	2.1	1.8
10	Taipei, China	81.8	0.9	1.5	2.3	1.8

* Retained imports are imports less re-exports

Source: Table IV.25, WTO International Trade Statistics, 2002

TABLE 7, CONTINUED...

- By 2001 China was the 4th-ranking exporter of manufactured goods, lagging only the EU, US, and Japan.
- China's manufactures exports share has risen at a remarkable rate, from only 0.8 percent in 1980 to 1.9 percent in 1990 and 5.3 percent in 2001. 2002 and 2003 data, when available, will show further increases.
- By 2003, China may well approach Japan as a manufactures exporter, but it will remain well below the levels of the EU and the US
- Table 7 also illustrates the declining relative shares of the EU and Japan as manufactures exporters. But notwithstanding its huge manufactures trade deficits, the US share of exports has been relatively stable, 13.5 percent in 2001.
- The huge US manufactures trade deficits of recent years stem from the very large expansion of manufactures imports, both in dollar and share terms. The US share of world manufactures imports rose from 11.2 percent in 1980 to 15.4 percent in 1990 and 19.4 percent in 2001.

TABLE 8: GLOBAL MERCHANDISE TRADE BALANCES OF CHINA AND SELECTED COUNTRIES, 2000-2003

	Billions of Dollars			
	2000	2001	2002	Est. 2003
United States				
Exports	781.9	729.1	693.1	708.0
Imports	1,218.0	1,141.0	1,161.4	1,214.7
Balance	-436.1	-411.9	-468.3	-506.7
China				
Exports	249.2	266.7	325.6	391.5
Imports	225.1	243.6	295.3	381.3
Balance	24.1	23.1	30.3	10.2
Japan				
Exports	479.1	403.2	417.2	443.0
Imports	379.5	349.2	338.0	350.0
Balance	99.6	54.0	79.2	93.0
European Union (External trade)				
Exports	942.0	985.7	992.5	987.2
Imports	1,033.4	1,028.0	987.3	994.0
Balance	-91.4	-42.3	5.2	-6.8
South Korea				
Exports	172.3	150.4	162.5	180.0
Imports	160.5	141.1	152.1	171.8
Balance	11.8	9.3	10.4	8.2
Taiwan				
Exports	147.6	122.4	130.6	133.5
Imports	140.2	107.1	114.1	134.1
Balance	7.4	15.3	16.5	-0.6

Source: World Trade Atlas, Partial year 2003 extrapolated to full year

- Table 8 compares the global goods exports, imports, and trade balance of China with those of selected major trading nations for 2000-2002 and provides 2003 amounts estimated by simply extrapolating part-year results. Based on existing trends, the United States deficit will increase to a new record, probably larger than the \$507 deficit indicated in the table from a simple doubling of first half performance, perhaps reaching \$570 billion.
- China's surplus will likely decline to around \$10 billion or less in 2003 but Japan's surplus will probably increase substantially from the 2002 level of \$79.2 billion, perhaps approaching \$100 billion.
- The EU's external trade will likely be near balance, with a modest deficit or surplus.

**TABLE 9: COMPOSITION OF CHINA'S TRADE WITH THE WORLD BY
MAJOR PRODUCT GROUPS, SELECTED YEARS**

	Billions of Dollars						Percent Share of China's Merchandise Exports & Imports	
	1990	1995	1998	1999	2000	2001	1990	2001
Total Merchandise Trade								
Exports	62.10	148.80	183.60	195.20	249.30	266.10	100.0%	100.0%
Imports	53.30	132.10	140.30	165.80	225.10	243.55	100.0%	100.0%
Balance	8.80	16.70	43.30	29.40	24.20	22.55		
Agricultural								
Exports	10.06	15.00	14.31	14.21	16.38	16.63	16.2%	6.2%
Imports	7.86	16.10	12.61	13.85	19.54	20.12	14.7%	8.3%
Balance	2.20	-1.10	1.70	0.36	-3.16	-3.49		
Food								
Exports			12.18	11.73	13.56	14.22		5.3%
Imports			6.69	6.79	9.04	9.37		3.8%
Balance			5.49	4.94	4.52	4.85		
Manufactures								
Exports	44.31	124.84	160.34	172.06	219.86	235.82	71.4%	88.6%
Imports	42.39	103.41	113.05	132.77	169.88	189.92	79.5%	78.0%
Balance	1.92	21.43	47.29	39.29	49.98	45.90		
Addendum: Fuel Trade								
China								
Exports			5.17	4.64	7.83	8.40		
Imports	1.26	5.13	6.78	8.91	20.64	17.47	2.4%	7.2%
Balance			-1.61	-4.27	-12.81	-9.07		

Source: WTO International Trade Statistics, 1999, 2000, 2001, 2002

- China's trade with the world is dominated by manufactures; 88.6 percent of its total 2001 exports, 78.0 percent of imports.
- Manufactures surpluses are large, \$50 billion in 2000, \$46 billion in 2001. The same years, however, Japan's manufactures trade surpluses were \$237 billion and \$176 billion.
- China's manufactures trade surpluses are offset by modest deficits in Agricultural goods (\$3.5 billion in 2001) and Fuel trade (\$12.8 billion in 2000 and \$9.1 billion in 2001). Deficits in both categories are likely to enlarge as food imports rise with gains in living standards and as oil imports increase to support the continued industrialization of China.

TABLE 10: CHINA'S MANUFACTURES TRADE BY SELECTED PRODUCT GROUPS

	Billions of Dollars					
	1990	1995	1998	1999	2000	2001
Manufactures						
Exports	44.31	124.81	160.34	172.06	219.86	235.82
Imports	42.39	103.41	113.05	132.77	169.88	189.92
Balance	1.92	21.40	47.29	39.29	49.98	45.90
Iron and Steel						
Exports	n.a.	n.a.	n.a.	n.a.	4.39	3.15
Imports	n.a.	n.a.	6.49	7.50	9.69	10.75
Balance					-5.30	-7.60
Chemicals						
Exports	n.a.	n.a.	10.32	10.37	12.10	13.35
Imports	n.a.	n.a.	20.16	24.03	30.02	32.10
Balance			-9.84	-13.66	-17.92	-18.75
Machinery & Transportation Equipment						
Exports	10.83	31.37	50.22	58.84	82.60	94.70
Imports	21.51	52.57	56.85	69.45	91.93	107.02
Balance	-10.68	-21.20	-6.63	-10.61	-9.33	-12.32
Office Machines & Telecomm. Equipment						
Exports	n.a.	14.51	25.34	30.14	43.50	52.26
Imports	n.a.	14.35	22.04	30.49	44.43	49.56
Balance		0.16	3.30	-0.35	-0.93	2.70
Textiles						
Exports	7.22	13.92	12.82	13.04	16.14	16.83
Imports	5.29	10.91	11.08	11.08	12.83	12.57
Balance	1.93	3.01	1.74	1.96	3.31	4.26
Clothing						
Exports	9.67	24.05	30.05	30.08	36.07	36.65
Imports	n.a.	n.a.	n.a.	n.a.	n.a.	1.27
Balance						35.38
Other Consumer Goods						
Exports	n.a.	n.a.	n.a.	42.26	49.91	50.44
Imports	n.a.	n.a.	n.a.	8.58	11.49	13.80
Balance				33.68	38.42	36.64

Source: WTO International Trade Statistics, 1999, 2000, 2001, 2002

TABLE 10, CONTINUED...

- Although the US runs very large manufactures trade deficits with China – over \$90 billion in 2001 and continuing to enlarge – China is a net importer of many manufactured goods, holding its global manufactures surplus to \$46 billion in 2001.
- In 2001, China was a net importer of Iron and Steel, Chemicals, Machinery and Transport Equipment, and registered only a modest surplus in Office Machines and Telecommunication Equipment.
- Its consistent, growing sources of manufactures surpluses include: Textiles, Clothing, and Other Consumer Goods. The latter category includes a wide variety of toys, games, sporting goods and other low technology consumer items.

**TABLE 11: US, EU, AND JAPAN TRADE WITH CHINA,
BY MAJOR PRODUCT CATEGORIES, 1999-2001**

(Billions of Dollars)	Value, 1999			Value, 2000			Value, 2001		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
United States									
Total Trade	13.10	87.80	-74.70	16.20	107.60	-91.40	19.23	109.38	-90.15
Agriculture Products	1.30	1.40	-0.10	2.40	1.60	0.80	2.70	1.69	1.01
Mining Products	0.60	0.80	-0.20	1.00	1.40	-0.40	1.22	1.02	0.20
Manufactures	11.10	84.60	-73.50	12.60	103.40	-90.80	15.11	103.42	-88.31
European Union (15)									
Total Trade	20.40	52.69	-32.29	23.20	64.50	-41.30	24.46	67.26	-42.80
Agriculture Products	1.20	2.10	-0.90	1.20	1.30	-0.10	1.02	2.36	-1.34
Mining Products	0.70	1.00	-0.30	0.80	1.20	-0.40	0.81	1.39	-0.58
Manufactures	18.40	49.50	-31.10	21.00	61.00	-40.00	24.36	63.33	-38.97
Japan									
Total Trade	23.30	42.80	-19.50	30.40	55.10	-24.70	30.94	57.75	-26.81
Agriculture Products	0.50	6.20	-5.70	0.60	7.00	-6.40	0.73	6.91	-6.18
Mining Products	1.00	2.20	-1.20	1.20	3.30	-2.10	1.50	2.92	-1.42
Manufactures	21.20	34.10	-12.90	27.80	44.40	-16.60	27.73	47.43	-19.70

Source: International Trade Statistics, 2002, Tables A.16, A.12, and A.10

- The US, EU, and Japan all incur deficits in their goods trade with China but the US deficits are much larger, \$90.2 billion in 2001, compared to \$42.8 billion for the EU and \$26.8 billion for Japan.
- Although China has trade surpluses with the US, EU, and Japan, it runs deficits with several Asian countries that supply it with raw materials and other inputs for its manufactured goods production and exports.
- The US and EU deficits result almost entirely from manufactures trade but Japan also incurs deficits with China in agricultural products -- \$6.2 billion in 2001.
- US manufactures exports to China are modest -- \$15 billion in 2001 -- and smaller than those of the EU (\$24 billion) and Japan (\$28 Billion).
- The bulk of manufactures exports to China by the US, EU, and Japan, however, is component parts and inputs for assembly into finished products in China, much of which is re-exported, principally to the US.

TABLE 12: US BALANCE OF TRADE BY COUNTRY, 2000-2003

Rank	Country	Billions of US Dollars (Revised)				% Change
		2000	2001	2002	Est. 2003	2003/2002
	-- World --	-436.10	-411.90	-468.26	-507.00	8.3%
1	China	-83.83	-83.10	-103.06	-108.00	4.8%
2	Japan	-81.55	-69.02	-69.98	-64.00	-8.5%
3	Canada	-51.90	-52.84	-48.16	-52.00	8.0%
4	Mexico	-24.58	-30.04	-37.15	-42.00	13.1%
5	Germany	-29.06	-29.08	-35.88	-40.00	11.5%
6	Ireland	-8.75	-11.36	-15.69	-17.00	8.3%
7	Italy	-13.98	-13.87	-14.16	-14.00	-1.2%
8	Taiwan	-16.10	-15.25	-13.77	-15.00	9.0%
9	Malaysia	-14.63	-12.98	-13.67	-13.00	-4.9%
10	Korea, South	12.48	-13.00	-13.00	-11.00	-15.4%
11	Venezuela	-13.07	-9.61	-10.66	-13.00	21.9%
12	Thailand	-9.77	-8.74	-9.93	-9.00	-9.4%
13	France	-9.44	-10.54	-9.22	-10.00	8.4%
14	Netherlands	12.17	9.97	8.46	-10.00	-218.2%
15	Saudi Arabia	-8.13	-7.31	-8.37	-15.00	79.2%
16	India	-7.02	-5.98	-7.72	-8.00	3.7%
17	United Kingdom	-1.77	-0.65	-7.54	-7.00	-7.2%
18	Indonesia	-7.97	-7.58	-7.09	-7.00	-1.2%
19	Australia	6.04	4.45	6.61	-6.00	-190.8%
20	Sweden	-5.04	-5.37	-6.06	-7.00	15.4%
21	Israel	-5.22	-4.48	-5.39	-6.00	11.3%
22	Nigeria	-9.82	-7.82	-4.89	-9.00	84.1%
23	Russia	-5.57	-3.55	-4.47	-6.00	34.1%
24	Norway	-4.16	-3.37	-4.44	-4.00	-9.8%
25	Philippines	-5.14	-3.67	-3.70		-100.0%
26	Belgium	4.00	3.34	3.52	-6.00	-270.5%
27	Iraq	-6.06	-5.77	-3.52	-5.00	42.2%
28	Brazil	1.47	1.41	-3.40	-7.00	105.6%
29	Hong kong	3.13	4.38	3.27	4.00	22.5%

Source: US Dept of Commerce, Census Bureau

- The US merchandise (goods) trade deficit will increase to a new record in 2003. A simple doubling of first half results, shown in the table, yields a deficit of \$507 billion. However, given the pickup in US economic growth and the seasonality of imports of some consumer goods, the actual deficit will likely be larger. In fact, a major US forecasting firm projects a goods trade deficit of \$570 billion, offset by a services surplus of only about \$24 billion. The result would be a goods and services deficit balance of \$546 billion, equivalent to some 5 percent of Gross Domestic Product.
- Based on a doubling of first-half results, however, Table 12 shows a 2003 US goods deficit with China of \$108 Billion, well ahead of the projected \$64 billion deficit with Japan and equivalent to about just over one-fifth of the projected total goods trade deficit. The actual deficits with both China and Japan will, however, likely be several billion dollars larger.
- The US runs deficits with most of its major trading partners and particularly large deficits with Canada, Mexico, Germany, and Ireland. Deficits with those four will likely exceed \$150 billion in 2003.

TABLE 13: TOP US EXPORT DESTINATIONS, 2000-2003

Rank	Country	Billions of Dollars			% Share		
		2000	2001	2002	2000	2001	2002
	-- World --	781.92	729.10	693.10	100.0%	100.0%	100.0%
1	Canada	178.94	163.42	160.92	22.9%	22.4%	23.2%
2	Mexico	111.35	101.30	97.47	14.2%	13.9%	14.1%
3	Japan	64.92	57.45	51.45	8.3%	7.9%	7.4%
4	United Kingdom	41.57	40.71	33.20	5.3%	5.6%	4.8%
5	Germany	29.45	30.00	26.63	3.8%	4.1%	3.8%
6	Korea, South	27.83	22.18	22.58	3.6%	3.0%	3.3%
7	China	16.19	19.18	22.13	2.1%	2.6%	3.2%
8	France	20.36	19.86	19.02	2.6%	2.7%	2.7%
9	Taiwan	24.41	18.12	18.38	3.1%	2.5%	2.7%
10	Netherlands	21.84	19.48	18.31	2.8%	2.7%	2.6%
11	Singapore	17.81	17.65	16.22	2.3%	2.4%	2.3%
12	Belgium	13.93	13.50	13.33	1.8%	1.9%	1.9%
13	Australia	12.48	10.93	13.08	1.6%	1.5%	1.9%
14	Hong Kong	14.58	14.03	12.59	1.9%	1.9%	1.8%
15	Brazil	15.32	15.88	12.38	2.0%	2.2%	1.8%
16	Malaysia	10.94	9.36	10.34	1.4%	1.3%	1.5%
17	Italy	11.06	9.92	10.06	1.4%	1.4%	1.5%
18	Switzerland	9.95	9.81	7.78	1.3%	1.3%	1.1%
19	Philippines	8.80	7.66	7.28	1.1%	1.1%	1.0%
20	Israel	7.75	7.48	7.03	1.0%	1.0%	1.0%
21	Ireland	7.71	7.14	6.75	1.0%	1.0%	1.0%
22	Spain	6.32	5.76	5.30	0.8%	0.8%	0.8%
23	Thailand	6.62	5.99	4.86	0.8%	0.8%	0.7%
24	Saudi Arabia	6.23	5.96	4.78	0.8%	0.8%	0.7%
25	Venezuela	5.55	5.64	4.43	0.7%	0.8%	0.6%
26	Dominican Republic	4.47	4.40	4.25	0.6%	0.6%	0.6%
27	India	3.67	3.76	4.10	0.5%	0.5%	0.6%
28	United Arab Emirates	2.28	2.64	3.59	0.3%	0.4%	0.5%
29	Colombia	3.67	3.58	3.58	0.5%	0.5%	0.5%

Source: US Dept of Commerce, Census Bureau

- At \$22.1 billion, 3.2 percent of total US exports, China was the 7th-ranking destination for US exports in 2002, up from 11th rank in 2000.
- Taiwan, at \$18.4 billion, and 2.7 percent of the total, was the 9th-ranking US export destination, with Hong Kong 14th at \$12.6 billion.

TABLE 14: TOP US IMPORT SUPPLIERS, 2000-2002

Rank	Country	Billions of Dollars			% Share		
		2000	2001	2002	2000	2001	2002
	-- World --	1,218.02	1,141.00	1,161.37	100.0%	100.0%	100.0%
1	Canada	230.84	216.27	209.09	19.0%	19.0%	18.0%
2	Mexico	135.93	131.34	134.62	11.2%	11.5%	11.6%
3	China	100.02	102.28	125.19	8.2%	9.0%	10.8%
4	Japan	146.48	126.47	121.43	12.0%	11.1%	10.5%
5	Germany	58.51	59.08	62.51	4.8%	5.2%	5.4%
6	United Kingdom	43.35	41.37	40.74	3.6%	3.6%	3.5%
7	Korea, South	40.31	35.18	35.57	3.3%	3.1%	3.1%
8	Taiwan	40.50	33.37	32.15	3.3%	2.9%	2.8%
9	France	29.80	30.41	28.24	2.4%	2.7%	2.4%
10	Italy	25.04	23.79	24.22	2.1%	2.1%	2.1%
11	Malaysia	25.57	22.34	24.01	2.1%	2.0%	2.1%
12	Ireland	16.46	18.50	22.44	1.4%	1.6%	1.9%
13	Brazil	13.85	14.47	15.78	1.1%	1.3%	1.4%
14	Venezuela	18.62	15.25	15.09	1.5%	1.3%	1.3%
15	Singapore	19.18	15.00	14.80	1.6%	1.3%	1.3%
16	Thailand	16.39	14.73	14.79	1.3%	1.3%	1.3%
17	Saudi Arabia	14.36	13.27	13.15	1.2%	1.2%	1.1%
18	Israel	12.96	11.96	12.42	1.1%	1.0%	1.1%
19	India	10.69	9.74	11.82	0.9%	0.9%	1.0%
20	Philippines	13.93	11.33	10.98	1.1%	1.0%	0.9%
21	Netherlands	9.67	9.52	9.85	0.8%	0.8%	0.8%
22	Belgium	9.93	10.16	9.81	0.8%	0.9%	0.8%
23	Indonesia	10.37	10.10	9.64	0.9%	0.9%	0.8%
24	Switzerland	10.16	9.67	9.38	0.8%	0.8%	0.8%
25	Hong Kong	11.45	9.65	9.33	0.9%	0.8%	0.8%
26	Sweden	9.60	8.91	9.22	0.8%	0.8%	0.8%
27	Russia	7.66	6.26	6.87	0.6%	0.5%	0.6%
28	Australia	6.44	6.48	6.48	0.5%	0.6%	0.6%
29	Nigeria	10.54	8.77	5.95	0.9%	0.8%	0.5%

Source: US Dept of Commerce, Census Bureau

- In 2002 China replaced Japan as the 3rd largest supplier of US imports. Imports from China reached \$125.2 billion, 10.8 percent of the total, not far behind 2nd ranking Mexico at \$134.6 billion, 11.6 percent of the total. Based on first-half results, imports from China may top \$135 billion and China could replace Mexico as the 2nd largest goods supplier in 2003.
- China supplied 10.6 percent of US goods imports in 2002 and will probably provide more than 11 percent in 2003.
- The declining share of imports from Japan – from 12.0 percent in 2000 to 10.5 percent in 2002 – probably reflects in part the movement to China of much of Japan's electronic consumer goods production for the US market.

TABLE 15: TOP US IMPORTS FROM CHINA BY MAJOR PRODUCT GROUPS, 2000-2002

HS Description	Billions of Dollars			% Share		
	2000	2001	2002	2000	2001	2002
China	100.02	102.28	125.19	8.2%	9.0%	10.8%
85 ELECTRICAL MACHINERY	19.53	19.73	24.41	19.5%	19.3%	19.5%
84 MACHINERY	13.40	13.72	20.22	13.4%	13.4%	16.1%
95 TOYS AND SPORTS EQUIPMENT	12.38	12.21	14.44	12.4%	11.9%	11.5%
64 FOOTWEAR	9.19	9.76	10.23	9.2%	9.5%	8.2%
94 FURNITURE AND BEDDING	7.20	7.49	9.92	7.2%	7.3%	7.9%
62 WOVEN APPAREL	4.17	4.15	4.48	4.2%	4.1%	3.6%
42 LEATHR ART; SADDLRY;	3.84	3.91	4.47	3.8%	3.8%	3.6%
39 PLASTIC	2.91	3.24	3.77	2.9%	3.2%	3.0%
90 OPTIC,NT 8544;MED INS	2.81	2.76	2.76	2.8%	2.7%	2.2%
61 KNIT APPAREL	2.03	2.28	2.62	2.0%	2.2%	2.1%
73 IRON/STEEL PRODUCTS	1.88	2.11	2.54	1.9%	2.1%	2.0%
87 VEHICLES, NOT RAILWAY	1.96	1.54	1.95	2.0%	1.5%	1.6%
63 MISC TEXTILE ARTICLES	1.10	1.21	1.65	1.1%	1.2%	1.3%
83 MISC ART OF BASE METALS	0.86	0.99	1.28	0.9%	1.0%	1.0%
82 TOOL,CUTLRY, OF BASE METALS	0.92	1.00	1.22	0.9%	1.0%	1.0%
71 PRECIOUS STONES, METAL	0.75	0.87	1.21	0.8%	0.9%	1.0%
69 CERAMIC PRODUCTS	0.91	0.92	1.07	0.9%	0.9%	0.9%
44 WOOD	0.75	0.84	1.06	0.8%	0.8%	0.8%
67 ARTIFICIAL FLOWERS, FEATHER	0.93	0.96	1.05	0.9%	0.9%	0.8%
99 O SPECL IMPR PROVISION	0.76	0.78	0.96	0.8%	0.8%	0.8%
96 MISCELLANEOUS MANUFACTURING	0.75	0.85	0.92	0.7%	0.8%	0.7%
29 ORGANIC CHEMICALS	0.68	0.72	0.81	0.7%	0.7%	0.7%
48 PAPER, PAPERBOARD	0.62	0.63	0.81	0.6%	0.6%	0.6%
68 STONE, PLASTER, CEMENT	0.60	0.63	0.73	0.6%	0.6%	0.6%
03 FISH AND SEAFOOD	0.52	0.55	0.68	0.5%	0.5%	0.5%
40 RUBBER	0.47	0.49	0.68	0.5%	0.5%	0.5%
91 CLOCKS AND WATCHES	0.64	0.61	0.63	0.6%	0.6%	0.5%
70 GLASS AND GLASSWARE	0.39	0.50	0.59	0.4%	0.5%	0.5%
49 BOUK+NEWSPAPER; MANUSCRIPTS	0.38	0.45	0.59	0.4%	0.4%	0.5%
28 INORG CHEM; RARE EARTH	0.34	0.43	0.52	0.3%	0.4%	0.4%

Source: US Dept of Commerce, Census Bureau

- Table 15 shows the principal HS (Harmonized System) categories of US imports from China. “Electrical Machinery” (HS 85) and “Machinery” (HS 84) are the two largest product groups, with 2002 imports of \$24.4 billion and \$20.2 billion respectively. These product group labels are, however, somewhat misleading in that they include a wide range of consumer goods, such as radios, telephones, TVs, electrical appliances, etc.
- Also noteworthy are the very large and growing imports of “Toys and Sporting Equipment” (HS 95) at \$14.4 billion and “Footwear” (HS64) at \$10.2 billion.
- “Furniture and Bedding” (HS 94) imports from China have expanded rapidly, reflecting strong gains in the last few years in the quality of Chinese products and the increasing reliance US companies have on China as a source. Imports in this product group have increased from \$7.2 billion in 2000 to \$9.9 billion in 2002 and could top \$12 billion in 2003.

TABLE 16: US BALANCE OF TRADE WITH CHINA BY MAJOR PRODUCT GROUPS, 2000-2002

HS Description	Billions of Dollars			% Change
	2000	2001	2002	'02/'01
China	-83.83	-83.10	-103.06	24.0%
85 ELECTRICAL MACHINERY	-16.83	-16.29	-20.46	25.6%
84 MACHINERY	-9.91	-9.67	-16.12	66.7%
95 TOYS AND SPORTS EQUIPMENT	-12.35	-12.19	-14.42	18.3%
64 FOOTWEAR	-9.14	-9.71	-10.19	5.0%
94 FURNITURE AND BEDDING	-7.12	-7.40	-9.84	33.0%
42 LEATHR ART; SADDLRY;	-3.83	-3.90	-4.46	14.5%
62 WOVEN APPAREL	-4.16	-4.13	-4.46	8.2%
88 AIRCRAFT, SPACECRAFT	1.66	2.39	3.37	41.3%
39 PLASTIC	-2.19	-2.40	-2.78	16.0%
61 KNIT APPAREL	-2.03	-2.27	-2.61	15.0%
73 IRON/STEEL PRODUCTS	-1.80	-2.02	-2.44	20.7%
87 VEHICLES, NOT RAILWAY	-1.76	-1.30	-1.66	27.6%
63 MISC TEXTILE ARTICLES	-1.10	-1.20	-1.65	37.2%
90 OPTIC,NT 8544;MED INS	-1.99	-1.51	-1.52	0.5%
83 MISC ART OF BASE METALS	-0.84	-0.96	-1.26	30.3%
71 PRECIOUS STONES, METAL	-0.67	-0.80	-1.14	42.4%
82 TOOL,CUTLRY, OF BASE METALS	-0.88	-0.94	-1.11	18.0%
67 ARTIFICIAL FLOWERS, FEATHER	-0.93	-0.96	-1.05	9.2%
69 CERAMIC PRODUCTS	-0.87	-0.86	-1.03	18.7%
99 O SPECL IMPR PROVISION	-0.76	-0.78	-0.96	22.1%
12 MISC ORGAN, SEED, FRUIT	0.97	0.96	0.96	-0.8%
96 MISCELLANEOUS MANUFACTURING	-0.74	-0.84	-0.91	8.6%
44 WOOD	-0.66	-0.70	-0.84	19.4%
68 STONE, PLASTER, CEMENT	-0.56	-0.60	-0.69	14.9%
31 FERTILIZERS	0.61	0.40	0.67	69.0%
91 CLOCKS AND WATCHES	-0.64	-0.60	-0.62	3.3%
40 RUBBER	-0.41	-0.40	-0.58	44.3%
03 FISH AND SEAFOOD	-0.38	-0.45	-0.57	26.9%
70 GLASS AND GLASSWARE	-0.31	-0.44	-0.54	23.6%
49 BOOK+NEWSPAPER; MANUSCRIPTS	-0.33	-0.38	-0.53	39.9%

Source: US Dept of Commerce, Census Bureau

- Table 16 provides the trade balances of major product groups in US goods trade with China. Electrical Machinery (HS 85) and Machinery (HS 84) are the largest sources of US deficits with China, \$20.4 billion and \$16.1 billion respectively. These data do not, however, indicate capital goods deficits. Both groups include a wide range of electrical and electronic consumer goods.
- Also important are the huge deficits in more mundane, low-technology goods. Toys and Sporting Goods, Footwear, and Furniture and Bedding together generated a 2002 deficit with China of \$34.5 billion, an amount likely to rise in 2003.

TABLE 17: US RELATED PARTY TRADE IMPORTS, CHINA & SELECTED COUNTRIES, 1992-2002

Year	Percent of Total Imports from Related Party by Country/Region							
	Total Imports	Canada	Japan	Mexico	Taiwan	China	Korea	E. Europe
1992	45.0	46.0	75.0	63.3	15.9	10.5	26.8	12.0
1993	45.4	45.2	75.3	65.3	17.3	10.5	31.3	11.7
1994	46.4	44.6	75.5	69.2	18.8	13.3	37.5	17.8
1995	47.4	46.0	75.4	66.1	20.3	14.6	41.9	19.7
1996	46.5	44.8	72.7	66.5	21.4	15.2	44.0	21.8
1997	46.0	43.6	70.9	65.4	21.8	16.2	43.1	25.5
1998	46.9	44.1	73.7	66.3	21.8	17.7	44.9	25.2
1999	46.7	43.1	73.7	66.4	20.8	17.6	49.3	32.1
2000	46.7	44.0	74.3	66.1	21.6	18.1	55.4	31.8
2001	46.5	41.5	73.5	67.5	21.1	18.1	55.1	31.6
2002	47.6	42.4	76.6	66.7	22.2	20.5	56.1	32.2

Source: US Dept of Commerce, Census Bureau

- Table 17 provides one measure of the effects of US Foreign Direct Investments (FDI) on US trade. “Related Party Trade” includes trade by US companies with their subsidiaries, as well as trade by US subsidiaries of foreign companies with their parent companies. It is thus an imperfect indicator of the effects of US FDI on US imports because the data also reflect the imports of foreign companies in the US from their foreign parents and foreign affiliates. This particularly affects data concerning countries with major foreign direct investments in the United States. For example, the US affiliates of Japanese auto companies, some of which are established in the US in part to accomplish imports of parts and vehicles into the US, significantly increase the percentage of US imports from affiliated parties. Imports of autos from Japan by Japanese companies in the US thus are major contributors to the 76.6 percent portion of US related party imports from Japan. There is less distortion of the data however, in the case of countries, such as China, that have only modest FDI in the US.
- Overall, table 17 indicates the portion of total US imports coming from “related parties” has been relatively stable, rising from 45.0 percent in 1992 to 47.6 percent in 2002.
- The portion of total imports from China coming from related parties has, however, risen rapidly, from a modest 10.5 percent in 1992 to 20.5 percent in 2002.

**TABLE 18: US RELATED PARTY TRADE EXPORTS,
CHINA AND SELECTED COUNTRIES, 1992-2002**

Year	Percent of Total Exports from Related Party by Country/Region							
	Total Exports	Canada	Japan	Mexico	Taiwan	China	Korea	E. Europe
1992	30.9	45.3	36.2	38.7	10.0	4.9	11.1	9.7
1993	31.9	44.8	35.3	44.8	10.5	5.8	10.6	9.7
1994	32.2	44.0	36.9	43.9	11.7	6.4	11.1	12.5
1995	31.9	44.0	34.6	47.7	11.6	4.7	12.0	9.5
1996	31.8	44.0	35.6	45.7	11.7	7.4	11.7	13.6
1997	31.7	43.1	38.2	46.1	13.1	7.3	12.4	14.2
1998	31.8	41.9	37.6	45.3	14.3	11.1	11.3	12.8
1999	32.1	42.4	36.3	44.3	16.0	11.6	11.4	12.3
2000	31.5	41.2	37.4	42.5	14.1	12.2	11.4	16.1
2001	30.3	39.7	36.9	40.9	16.3	13.0	12.9	11.6
2002	31.3	42.5	34.0	43.1	19.9	12.3	12.7	13.3

Source: US Dept of Commerce, Census Bureau

- The portion of total US exports going to related parties has increased only modestly over the last decade, rising from 30.9 percent in 1992 to 31.3 percent in 2002.
- The related party share of US exports to China has, however, risen rapidly, from 4.9 percent in 1992 to 12.3 percent in 2002.

TABLE 19: US RELATED PARTY TRADE WITH CHINA, 1992-2002

Year	Imports			Exports		
	\$ Bn Total	\$ Bn Rel Party	% Rel Party	\$ Bn Total	\$ Bn Rel Party	% Rel Party
1991	18.86	1.89	10.0%	n.a.	n.a.	n.a.
1992	25.51	2.68	10.5%	7.34	0.36	4.9%
1993	31.43	3.30	10.5%	8.62	0.50	5.8%
1994	35.57	5.14	14.5%	9.29	0.60	6.5%
1995	45.37	6.64	14.6%	11.61	0.55	4.7%
1996	51.21	7.81	15.3%	11.80	0.87	7.4%
1997	62.00	10.03	16.2%	12.53	0.92	7.3%
1998	70.81	12.54	17.7%	13.91	1.54	11.1%
1999	81.52	14.32	17.6%	12.59	1.47	11.7%
2000	99.58	18.06	18.1%	15.54	1.87	12.0%
2001	102.07	18.49	18.1%	17.96	2.33	13.0%
2002	124.80	25.54	20.5%	20.55	2.53	12.3%

Source: US Dept of Commerce, Census Bureau

- Table 19 provides the dollar value of both total and related party exports and imports in US trade with China.
- Because US exports to China are small the 12.5 percent exported to related parties in 2002 was only \$2.5 billion. The 20.5 percent share of imports coming from a related party, however, was a substantial \$25.5 billion.

TABLE 20: FOREIGN DIRECT INVESTMENT INFLOWS BY HOST COUNTRY, CHINA AND SELECTED HOST COUNTRIES, 1990-2001

	Billions of Dollars						
	1990-1995 Annual Avg	1996	1997	1998	1999	2000	2001
World	225.3	386.1	478.1	694.4	1,088.3	1,491.9	735.1
Developed Countries	145.0	219.9	267.9	484.2	837.8	1,227.5	503.1
European Union	84.2	110.4	127.9	262.2	487.9	808.5	323.0
France	16.3	22.0	23.2	31.0	47.1	42.9	52.6
Germany	4.2	6.6	12.2	24.6	54.8	195.1	31.8
Ireland	1.1	2.6	2.7	11.0	14.9	24.1	9.8
Netherlands	8.1	16.7	11.1	37.0	41.3	52.5	50.5
United Kingdom	17.5	24.4	33.2	74.3	88.0	116.6	53.8
Canada	6.2	9.6	11.5	22.8	24.4	66.6	27.5
United States	40.8	84.5	103.4	174.4	283.4	300.9	124.4
Mexico	8.1	9.9	14.0	11.9	12.5	14.7	24.7
Japan	1.1	0.2	3.2	3.2	12.7	6.3	6.2
China	19.4	40.2	44.2	43.8	40.3	40.8	46.8
Hong Kong	4.9	10.5	11.4	14.8	24.6	61.9	22.8
China + Hong Kong	24.3	50.7	55.6	58.6	64.9	102.7	69.6
Taiwan	1.2	1.9	2.2	0.2	2.9	4.9	4.1
Singapore	5.8	8.6	10.7	6.4	11.8	5.4	8.6

	Percent of World						
	1990-1995 Annual Avg	1996	1997	1998	1999	2000	2001
World	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Developed Countries	64.4%	57.0%	56.0%	69.7%	77.0%	82.3%	68.4%
European Union	37.4%	28.6%	26.8%	37.8%	44.8%	54.2%	43.9%
France	7.2%	5.7%	4.9%	4.5%	4.3%	2.9%	7.2%
Germany	1.9%	1.7%	2.6%	3.5%	5.0%	13.1%	4.3%
Ireland	0.5%	0.7%	0.6%	1.6%	1.4%	1.6%	1.3%
Netherlands	3.6%	4.3%	2.3%	5.3%	3.8%	3.5%	6.9%
United Kingdom	7.8%	6.3%	6.9%	10.7%	8.1%	7.8%	7.3%
Canada	2.8%	2.5%	2.4%	3.3%	2.2%	4.5%	3.7%
United States	18.1%	21.9%	21.6%	25.1%	26.0%	20.2%	16.9%
Mexico	3.6%	2.6%	2.9%	1.7%	1.1%	1.0%	3.4%
Japan	0.5%	0.1%	0.7%	0.5%	1.2%	0.4%	0.8%
China	8.6%	10.4%	9.2%	6.3%	3.7%	2.7%	6.4%
Hong Kong	2.2%	2.7%	2.4%	2.1%	2.3%	4.1%	3.1%
China + Hong Kong	10.8%	13.1%	11.6%	8.4%	6.0%	6.9%	9.5%
Taiwan	0.5%	0.5%	0.5%	0.0%	0.3%	0.3%	0.6%
Singapore	2.6%	2.2%	2.2%	0.9%	1.1%	0.4%	1.2%

Source: UNCTAD World Investment Report 2002, Table B.1

TABLE 20, CONTINUED...

- Foreign Direct Investment is often measured in terms of both “flows” and “stocks.” Flows are generally the amounts, in annual terms, which have moved from one nation to another. Stocks are the accumulations, generally measured at year end, that result from flows. The United Nations Conference On Trade and Development (UNCTAD) collects and publishes annual data on world FDI stocks and flows. Collection standards and definitions vary somewhat among nations, however, making international comparisons somewhat tenuous.
- World inflows of FDI – the amounts received by host countries -- have increased rapidly in recent years, from an annual average of \$225 billion over the 1990-95 period to \$1,492 billion in 2000 and \$735 billion in 2001. Developed countries are the primary recipients of FDI, taking 68.4 percent of the 2001 total.
- UNCTAD data indicate that at \$124.4 billion the United States remained in 2001 the largest recipient of FDI, albeit down markedly from \$300.9 billion in 2000. In 2001 the US received 16.9 percent of total world inflows, down from a peak share of 26.0 percent in 1999.
- Inflows to China have been quite stable in recent years, ranging between \$40 billion in 1995 to almost \$47 billion in 2001, 6.4 percent of the world total, down from 10.4 percent in 1996.
- Inflows to Hong Kong have also been significant, \$61.9 billion in 2000, but declining to \$22.8 billion in 2001, 3.1 percent of the world total.
- Given Hong Kong's role as an intermediary point in FDI flows to China, summing the China and Hong Kong shares involves an indeterminate amount of double counting. However, in 2000 combined flows to China and Hong Kong totaled \$69.6 billion 9.5 percent of the world total.
- Taiwan has not been a significant recipient of world FDI inflows, usually taking less than one-half percent of the world total.
- Singapore has been more dependent on FDI, receiving an average of \$5.8 billion annually over the 1990-95 period, 2.6 percent of the world total. Since 1995, however, although Singapore's inflow amounts have increased somewhat, its share of world FDI has decreased and was only 0.4 percent in 2000, and 1.2 percent in 2001.

**TABLE 21: WORLD FOREIGN DIRECT INVESTMENT INWARD STOCK
BY HOST COUNTRY, CHINA & SELECTED HOST COUNTRIES**

	Billions of Dollars					
	1980	1985	1990	1995	2000	2001
World	835.5	913.2	1,871.6	2,911.7	6,258.3	6,845.7
Developed Countries	389.7	568.7	1,383.0	2,021.3	4,124.3	4,504.1
European Union	216.8	267.6	733.3	1,115.1	2,382.0	2,648.7
France	59.1	66.9	100.0	191.4	257.8	310.4
Germany	36.6	36.9	119.6	192.9	449.1	480.9
Ireland	1.7	4.6	3.4	9.6	65.1	74.8
Netherlands	19.2	24.9	68.7	116.1	243.4	284.2
United Kingdom	63.0	64.0	203.9	199.8	435.4	496.8
Canada	54.2	64.7	112.9	123.3	201.6	201.5
United States	83.0	184.6	394.9	535.6	1,214.3	1,321.1
Mexico	8.1	18.8	22.4	41.1	97.2	116.0
Japan	3.3	4.7	9.9	33.5	50.3	50.3
China	6.3	10.5	24.8	137.4	348.3	395.2
Hong Kong	124.3	129.8	148.2	174.1	429.0	451.9
China + Hong Kong	130.6	140.3	173.0	311.5	777.3	847.1
Taiwan	2.4	2.9	9.7	15.7	27.9	32.0
Singapore	6.2	13.0	28.6	59.6	85.7	104.3

	Percent of World					
	1980	1985	1990	1995	2000	2001
World	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Developed Countries	46.6%	62.3%	73.9%	69.4%	65.9%	65.8%
European Union	25.9%	29.3%	39.2%	38.3%	38.1%	38.7%
France	7.1%	7.3%	5.3%	6.6%	4.1%	4.5%
Germany	4.4%	4.0%	6.4%	6.6%	7.2%	7.0%
Ireland	0.2%	0.5%	0.2%	0.3%	1.0%	1.1%
Netherlands	2.3%	2.7%	3.7%	4.0%	3.9%	4.2%
United Kingdom	7.5%	7.0%	10.9%	6.9%	7.0%	7.3%
Canada	6.5%	7.1%	6.0%	4.2%	3.2%	2.9%
United States	9.9%	20.2%	21.1%	18.4%	19.4%	19.3%
Japan	0.4%	0.5%	0.5%	1.2%	0.8%	0.7%
Mexico	1.0%	2.1%	1.2%	1.4%	1.6%	1.7%
China	0.8%	1.1%	1.3%	4.7%	5.6%	5.8%
Hong Kong	14.9%	14.2%	7.9%	6.0%	6.9%	6.6%
China + Hong Kong	15.6%	15.4%	9.2%	10.7%	12.4%	12.4%
Taiwan	0.3%	0.3%	0.5%	0.5%	0.4%	0.5%
Singapore	0.7%	1.4%	1.5%	2.0%	1.4%	1.5%

Source: UNCTAD World Investment Report 2002, Table B.3

TABLE 21, CONTINUED...

- As Measured by UNCTAD, 2001 World Inward FDI stocks reached \$6.8 trillion, more than double the \$2.9 trillion 1995 level only 6 years earlier.
- Almost two-thirds of FDI stock is hosted by developed countries. According to UNCTAD – based on data supplied to UNCTAD by China -- China's stock rose to \$395.2 billion in 2001, 5.8 percent of the world total, compared to only 1.3 percent in 1990.
- Hong Kong's total in 2001 was \$451.9 Billion, 6.6 percent of the world total. Together, ignoring indeterminate amounts of double-counting, China and Hong Kong by 2001 hosted 12.4 percent of world stocks, about two-thirds the US share of 19.3 percent. 2002 and 2003 data will likely show continued enlargement of China's share of world FDI stocks.
- Taiwan's stocks of FDI are not a significant portion of the world total, only about one-half percent. Singapore, however, holds 1.5 percent of the world total.

TABLE 22: WORLD FOREIGN DIRECT INVESTMENT OUTWARD STOCK BY HOME COUNTRY, CHINA AND SELECTED COUNTRIES

	Billions of Dollars					
	1980	1985	1990	1995	2000	2001
World	521.5	691.7	1,721.5	2,854.9	6,086.4	6,552.0
Developed Countries	499.4	656.3	1,630.4	2,577.6	5,316.3	5,751.9
European Union	215.6	295.7	798.5	1,292.0	3,148.8	3,440.9
France	24.3	37.8	120.2	204.4	432.7	515.5
Germany	43.1	59.9	148.5	258.1	470.6	513.8
Ireland	-	-	2.7	4.6	18.5	23.9
Netherlands	42.1	47.9	106.9	172.7	309.5	328.4
United Kingdom	80.4	100.3	229.3	304.8	902.1	942.8
Canada	n.a.	43.1	84.8	118.2	227.0	244.5
United States	n.a.	238.4	430.5	699.0	1,293.4	1,381.7
Mexico	0.1	0.5	0.6	4.1	8.3	12.0
Japan	19.6	44.0	201.4	238.5	278.4	300.1
China	-	0.1	2.5	15.8	25.8	27.6
Hong Kong	0.1	2.3	11.9	78.8	365.8	374.8
China + Hong Kong	0.1	2.4	14.4	94.6	391.6	402.4
Taiwan	0.1	0.2	12.9	25.1	49.2	54.7
Singapore	3.7	4.4	7.8	35.1	53.0	63.2

	Percent of World					
	1980	1985	1990	1995	2000	2001
World	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Developed Countries	95.8%	94.9%	94.7%	90.3%	87.3%	87.8%
European Union	41.3%	42.7%	46.4%	45.3%	51.7%	52.5%
France	4.7%	5.5%	7.0%	7.2%	7.1%	7.9%
Germany	8.3%	8.7%	8.6%	9.0%	7.7%	7.8%
Ireland	0.0%	0.0%	0.2%	0.2%	0.3%	0.4%
Netherlands	8.1%	6.9%	6.2%	6.0%	5.1%	5.0%
United Kingdom	15.4%	14.5%	13.3%	10.7%	14.8%	14.4%
Canada	n.a.	6.2%	4.9%	4.1%	3.7%	3.7%
United States	n.a.	34.5%	25.0%	24.5%	21.3%	21.1%
Mexico	0.0%	0.1%	0.0%	0.1%	0.1%	0.2%
Japan	3.8%	6.4%	11.7%	8.4%	4.6%	4.6%
China	0.0%	0.0%	0.1%	0.6%	0.4%	0.4%
Hong Kong	0.0%	0.3%	0.7%	2.8%	6.0%	5.7%
China + Hong Kong	0.0%	0.3%	0.8%	3.3%	6.4%	6.1%
Taiwan	0.0%	0.0%	0.7%	0.9%	0.8%	0.8%
Singapore	0.7%	0.6%	0.5%	1.2%	0.9%	1.0%

Source: UNCTAD World Investment Report 2002, Table B.4

TABLE 22, CONTINUED...

- As would be expected, the majority (87.8 percent in 2001) of world stocks of FDI originates in developed countries. Including intra-EU investments, the European Union is the source of over half (52.5 percent) of world stocks at end 2001.
- The United States, however, is the largest single country investor, \$1.382 billion, 21.1 percent of the world total, followed by the United Kingdom, \$943 billion, 14.4 percent of the total.
- China is not a major foreign investor -- only 0.4 percent of the world total -- but Hong Kong, including its investments in China, has FDI totaling \$374.8 billion, 5.7 percent of the world total.

TABLE 23: WORLD INWARD & OUTWARD FOREIGN DIRECT INVESTMENT FLOWS AS A PERCENT OF GROSS FIXED CAPITAL FORMATION, CHINA AND SELECTED COUNTRIES

		1990-1995 Annual Average	1996	1997	1998	1999	2000
World	In	4.1	5.9	7.4	11.0	16.5	22.0
	Out	4.8	5.7	7.4	11.0	15.9	20.6
Developed Countries	In	3.6	4.8	6.1	10.7	17.4	25.0
	Out	5.5	6.7	8.9	13.9	20.1	25.9
European Union	In	5.5	6.5	8.1	15.7	28.5	50.1
	Out	7.7	9.4	14.0	24.8	41.8	60.0
France	In	6.0	7.6	9.2	11.6	17.2	16.9
	Out	8.8	5.4	14.1	18.2	44.1	69.1
Germany	In	0.9	1.3	2.7	5.4	12.4	48.7
	Out	5.3	7.1	9.2	19.6	24.8	12.4
Ireland	In	12.8	19.2	17.0	58.4	67.0	107.1
	Out	4.0	7.2	6.2	20.7	19.2	17.6
Netherlands	In	12.4	21.3	15.3	48.9	46.6	63.6
	Out	22.4	26.0	33.6	48.5	65.1	86.7
United Kingdom	In	9.7	12.5	15.1	30.2	34.9	46.4
	Out	14.7	23.7	28.0	49.9	80.0	101.0
Canada	In	5.9	9.2	9.7	19.4	18.7	47.3
	Out	6.6	11.7	19.3	29.3	12.0	33.7
United States	In	4.3	7.0	7.8	11.3	18.0	17.5
	Out	6.1	8.3	7.2	8.9	11.1	9.6
Mexico	In	12.7	16.7	18.0	13.6	12.3	12.2
	Out	0.4	(0.6)	1.4	1.5	1.4	0.8
Japan	In	0.1	-	0.3	0.3	1.1	0.7
	Out	2.2	1.5	2.1	2.3	1.9	2.6
China	In	9.8	14.3	14.6	12.9	11.3	10.5
	Out	1.4	0.8	0.8	0.8	0.5	0.2
Hong Kong	In	15.3	21.7	19.8	30.0	60.2	144.9
	Out	37.4	55.1	42.5	34.5	47.3	138.9
Taiwan	In	2.5	3.0	3.4	0.4	4.4	6.6
	Out	6.2	6.1	7.9	6.1	6.7	9.2
Singapore	In	30.5	24.6	29.4	20.6	42.4	19.8
	Out	11.7	19.5	25.9	2.6	15.4	18.2

Source: UNCTAD World Investment Report 2002, Table B.5

TABLE 23, CONTINUED...

- FDI flows expressed as a percent of gross fixed capital formation can provide a crude measure of the importance of FDI in an economy's capital formation. According to UNCTAD data, inward FDI flows in 2000 were equivalent to 22.0 percent of world gross fixed capital formation, outward flows were 20.6 percent. For developed countries the percentages were, respectively, 25.0 percent and 25.9 percent.
- For China inward flows in 2000 were 10.5 percent of Gross Fixed Capital Formation, outflows only 0.2 percent. Comparable flows for Hong Kong, however, were 144.9 and 138.9 percent.
- US inflows in 2000 represent 17.5 percent of capital formation, outflows only 9.6 percent. These figures contrast markedly with 1990-95 US data, which indicated 4.3 percent for inflows, 6.1 percent for outflows.

**TABLE 24: WORLD INWARD AND OUTWARD FOREIGN DIRECT INVESTMENT STOCKS
AS A PERCENT OF GROSS DOMESTIC PRODUCT**

		1980		1985		1990		1995		2000	
World	In	6.1		7.8		8.9		10.0		20.0	
	Out		5.4		6.2		8.4		9.9		19.6
Developed Countries	In	4.8		6.2		8.1		8.9		17.1	
	Out		6.2		7.2		9.6		11.3		22.1
European Union	In	6.1		9.2		10.6		12.9		30.3	
	Out		6.1		10.2		11.6		15.0		40.1
France	In	8.2		12.6		8.2		12.3		19.9	
	Out		3.6		7.1		9.9		13.2		33.4
Germany	In	3.9		5.1		7.1		7.8		24.1	
	Out		4.6		8.4		8.8		10.5		25.2
Ireland	In	7.9		12.5		7.2		14.4		68.2	
	Out		-		-		5.8		6.9		19.4
Netherlands	In	10.8		18.8		23.3		28.0		65.9	
	Out		23.7		36.1		36.3		41.6		83.8
United Kingdom	In	11.8		14.1		20.6		17.6		30.5	
	Out		15.0		22.0		23.2		26.9		63.2
Canada	In	20.4		18.4		19.6		21.1		28.8	
	Out		8.9		12.3		14.7		26.3		32.4
United States	In	3.0		4.4		6.9		7.3		12.4	
	Out		7.8		5.7		7.5		9.5		13.2
Mexico	In	3.6		10.2		8.5		14.4		16.9	
	Out		0.1		0.3		0.2		1.4		1.4
Japan	In	0.3		0.3		0.3		0.6		1.1	
	Out		1.8		3.2		6.6		4.5		5.8
China	In	3.1		3.4		7.0		19.6		32.3	
	Out		-		-		0.7		2.3		2.4
Hong Kong	In	436.2		372.1		198.1		125.0		263.8	
	Out		0.5		6.7		15.9		56.6		224.9
Taiwan	In	5.8		4.7		6.1		5.9		9.0	
	Out		0.2		0.3		8.0		9.5		15.9
Singapore	In	52.9		73.6		77.9		71.5		103.8	
	Out		31.7		24.8		21.3		42.0		57.5

Source: UNCTAD World Investment Report 2002, Table B.6

TABLE 24, CONTINUED...

- FDI stocks – the accumulation of FDI inflows in a country – expressed as a percent of Gross Domestic Product can also provide a rough indicator of the importance of FDI to a nation's economy.
- For the world as a whole FDI stocks in 2000 were equivalent to about 20.0 percent of gross domestic product. For developed countries inward stocks were equivalent to 17.1 percent of GDP; outward stocks 22.1 percent. The EU percentages however, are higher; 30.3 percent for inward, 40.1 percent for outward. The United Kingdom's inward stocks are 30.5 percent of GDP; outward, 63.2 percent.
- Although the US is both the largest investor abroad and the largest recipient of FDI, its stocks relative to GDP are lower than those of many European countries. US inward stocks were 12.4 percent of 2000 GDP, outward stocks were 13.2 percent.
- The stock of FDI in China relative to its GDP has grown rapidly, rising from only 7.0 percent in 1990 to 32.3 percent in 2000. Its outward stocks are negligible, 2.4 percent of GDP
- Hong Kong's inward FDI is equivalent to nearly 264 percent of GDP; outward is nearly 225 percent of GDP.

TABLE 25: FOREIGN DIRECT INVESTMENT IN CHINA, (TOTAL AND US), 1979-2002

	Annual Transactions and Inflows													
	79-'89	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Total Foreign Direct Investments														
No. of Contracts	21,766	7,273	12,978	48,764	83,437	47,549	37,011	24,556	21,001	19,799	16,918	22,347	26,139	34,171
Amt. Contracted (US\$ Bn)	32.4	6.6	12.0	58.1	111.4	82.7	91.3	73.3	51.0	52.1	41.2	62.4	69.2	82.8
Amt. Utilized (US\$ Bn)	18.5	3.4	4.4	11.0	27.5	33.8	37.5	41.7	45.3	45.5	40.3	40.7	46.9	52.7
US Direct Investment														
No. of Contracts	959	357	694	3,265	6,750	4,223	3,474	2,517	2,188	2,238	2,028	2,609	2,594	3,363
Amt. Contracted (US\$ Bn)	3.9	0.4	0.5	3.1	6.8	6.0	7.5	6.9	4.9	6.5	8.0	8.0	7.5	8.2
Amt. Utilized (US\$ Bn)	1.7	0.5	0.3	0.5	2.1	2.5	3.1	3.4	3.2	3.9	4.2	4.4	4.9	5.4
US Share of Contracted Investment	12.2%	5.4%	4.6%	5.4%	6.1%	7.3%	8.2%	9.4%	9.7%	12.4%	14.6%	12.8%	10.9%	9.9%
US Share of Utilized Investment	9.4%	13.4%	7.4%	4.6%	7.5%	7.4%	8.2%	8.2%	7.2%	8.6%	10.5%	10.7%	10.6%	10.2%

Source: China Ministry of Foreign Trade and Economic Cooperation

- Table 25 provides China Ministry of Foreign Trade and Economic Cooperation data quantifying the numbers of FDI contracts and the dollar amounts of FDI investments in China over an extended period. The "Amounts Utilized" correspond to the dollar values reported in UNCTAD data as annual inflows. This table provides data for 2002, one year later than the 2001 stock and flow data currently available from UNCTAD.
- The data show inflows (Amount Utilized) rising to a new record of \$52.7 billion in 2002, together with a record number of 34,171 new contracts.
- According to China data the US was the source of \$5.4 billion of the 2002 Amount Utilized inflow, 10.2 percent of the total. The highest US share of inflows since the dramatic expansion of FDI inflows to China began in 1992 was in 2000, 10.7 percent of the total. Over the 11-year 1992-2002 period the US provided \$37.6 billion of "Amounts Utilized," 8.9 percent of the \$422.7 billion total.

TABLE 26: TOP REGIONS/ECONOMIES FOREIGN DIRECT INVESTMENTS IN CHINA, 2001

	Number of Contracts			Amount Contracted			Amount Utilized		
	#	% Change	% of Total	\$ Bn	% Change	% of Total	\$ Bn	% Change	% of Total
Regions									
Total Regions	26,139	16.0%	100.0%	69.19	10.4%	100.0%	46.85	14.9%	100.0%
Asia	18,769	18.9%	71.8%	40.17	30.5%	58.1%	29.85	12.8%	63.7%
Free Ports	2,022	39.4%	7.7%	11.32	-0.4%	16.4%	6.55	47.9%	14.0%
North America	3,134	5.3%	12.0%	6.79	1.3%	12.7%	5.17	11.3%	11.0%
EU	1,207	8.5%	4.6%	4.91	-46.3%	7.1%	4.07	-13.4%	8.7%
Economies									
Hong Kong	7,976	13.0%	30.5%	20.60	18.1%	29.8%	16.86	4.0%	36.0%
Virgin Islands	1,500	39.4%	5.7%	8.77	15.9%	12.7%	5.06	41.6%	10.8%
USA	2,594	1.6%	9.9%	7.51	-4.6%	10.8%	4.86	11.1%	10.4%
Japan	2,003	25.0%	7.7%	5.35	48.6%	7.7%	4.58	41.1%	9.8%
Taiwan	4,196	36.1%	16.1%	6.90	73.1%	10.0%	3.16	32.8%	6.7%
Singapore	671	9.5%	2.6%	1.99	-2.3%	2.9%	2.17	3.7%	4.6%
South Korea	2,933	14.1%	11.2%	3.51	47.8%	5.1%	1.97	30.9%	4.2%

Source: China Ministry of Foreign Trade and Economic Cooperation and US-China Business Council

- Table 26 provides China data quantifying the country and regional sources of FDI inflows to China for the year 2001.
- Focusing on the “Amounts Utilized” it is noteworthy that 63.7 percent of 2001 inflows came from Asian sources, only 8.7 percent from the EU and 10.4 percent from the US.
- Other significant sources included: Hong Kong, 36.0 percent; Japan, 9.8 percent; and Taiwan, 6.7 percent.
- Also noteworthy is the \$4.2 billion -- 10.8 percent of total -- that originated in the Virgin Islands, probably indicating that subsidiaries of firms located elsewhere are the real source of the capital.

TABLE 27: TYPES OF FOREIGN DIRECT INVESTMENTS IN CHINA, 2001-2002

	Number of Contracts		Amount Contracted		Amount Utilized	
	#	% of Total	\$ Bn	% of Total	\$ Bn	% of Total
2002						
Total FDI	34,171	100.0%	82.77	100.0%	52.74	100.0%
Equity Joint Ventures	10,380	30.4%	18.50	22.4%	14.99	28.4%
Contractual Joint Ventures	1,595	4.7%	6.22	7.5%	5.06	9.6%
WFOE	22,173	64.9%	57.26	69.2%	31.73	60.2%
Shareholding Ventures	19	0.1%	0.74	0.9%	0.07	0.1%
Shareholding Ventures	4	0.0%	0.06	0.1%	0.27	0.5%
2001						
Total FDI	26,139	100.0%	69.19	100.0%	46.85	100.0%
Equity Joint Ventures	8,895	34.0%	17.54	25.4%	16.25	34.7%
Contractual Joint Ventures	1,589	6.1%	8.31	12.0%	6.06	12.9%
WFOE	15,640	59.8%	42.98	62.1%	23.55	50.3%
Shareholding Ventures	11	0.0%	0.33	0.5%	0.46	1.0%
Shareholding Ventures	3	0.0%	0.02	0.0%	0.51	1.1%

Source: China Ministry of Foreign Trade and Economic Cooperation and US-China Business Council

- China data reports FDI amounts contracted and utilized in five types of investments. The data show that 60.2 percent of “Amounts Utilized” in 2002 were investments in “Wholly Foreign Owned Enterprises” (WFOE), up from 50.3 percent in 2001.
- “Equity Joint Ventures” are second-ranking in importance, 28.4 percent, down from 34.7 percent in 2001.
- “Contractual Joint Ventures” were 9.6 percent of the 2002 total, down from 12.9 percent in 2001.
- “Shareholding Ventures” and “Joint Resource Exploration” were each less than one percent of total in 2002.

**TABLE 28: SECTORAL COMPOSITION OF CHINA'S
UTILIZED FOREIGN DIRECT INVESTMENT, 2002**

Sector	\$ Bn	% of Total
Total	52.740	100.0%
Agriculture, Forestry, Animal Husbandry, and Fisheries	1.028	1.9%
Mining	0.811	1.5%
Manufacturing	36.800	69.5%
Utilities	1.375	2.6%
Construction	0.709	1.3%
Management	0.007	0.01%
Transport, Warehouse, Postal and Telecom Services	0.913	1.7%
Wholesale and Retail Trade	0.933	1.8%
Banking and Insurance	0.107	0.2%
Real Estate	5.663	10.7%
Social Services	2.943	5.6%
Healthcare, Sports and Social Welfare	0.128	0.2%
Education, Culture, Arts, Radio, Film, TV	0.038	0.1%
Research, Computer Technical Services	0.198	0.4%
Others	1.321	2.5%

Source: China Ministry of Foreign Trade and Economic Cooperation and US-China Business Council

- Of the \$52.7 billion of “Utilized Foreign Direct Investment” in 2002, \$36.8 billion, 69.8 percent, went to the Manufacturing sector. This represents an increase from the portions of 56.1 percent in 1999 and 63.5 percent in 2000.
- The 10.7 percent share of Real Estate was down from the 13.9 and 11.4 percent shares of 1999 and 2000.
- Investments in Utilities (electric, gas, water) also have been declining as a percent of total; from 9.2 percent in 1999 to 5.5 percent in 2000 and only 2.6 percent in 2002.

**TABLE 29: US DIRECT INVESTMENT POSITION ON A HISTORICAL COST BASIS,
CHINA AND SELECTED COUNTRIES**

	Billions of Dollars					
	1997	1998	1999	2000	2001	2002 P
All Countries	871.3	1000.7	1216.0	1318.2	1383.2	1,521
Europe	425.1	518.4	627.8	887.3	718.9	796.9
France	36.6	42.3	43.1	42.6	40.8	44
Germany	40.7	47.7	53.4	55.5	65.8	64.7
Ireland	11.3	21.8	25.2	35.9	35.7	41.6
Netherlands	68.6	90.0	121.3	115.4	126.1	145.5
United Kingdom	154.5	183.0	216.6	230.8	238.8	255.4
Canada	96.6	98.2	119.6	132.4	141.8	152.5
Mexico	24.1	26.7	37.2	38.4	56.6	58.1
Japan	33.9	41.4	55.1	57.1	58.2	65.7
China	5.2	6.4	9.4	11.1	11.4	10.3
Hong Kong	17.3	17.5	22.8	27.4	32.1	35.8
China + Hong Kong	22.5	23.9	32.2	38.5	43.5	46.1
Taiwan	5.0	6.3	6.7	7.8	9.1	10.1
Singapore	18.0	17.6	20.7	24.1	26.7	61.4

	Percent of All Countries					
	1997	1998	1999	2000	2001	2002 P
All Countries	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Europe	48.8%	51.8%	51.6%	67.3%	52.0%	52.4%
France	4.2%	4.2%	3.5%	3.2%	2.9%	2.9%
Germany	4.7%	4.8%	4.4%	4.2%	4.8%	4.3%
Ireland	1.3%	2.2%	2.1%	2.7%	2.6%	2.7%
Netherlands	7.9%	9.0%	10.0%	8.8%	9.1%	9.6%
United Kingdom	17.7%	18.3%	17.8%	17.5%	17.3%	16.8%
Canada	11.1%	9.8%	9.8%	10.0%	10.3%	10.0%
Mexico	2.8%	2.7%	3.1%	2.9%	4.1%	3.8%
Japan	3.9%	4.1%	4.5%	4.3%	4.2%	4.3%
China	0.6%	0.6%	0.8%	0.8%	0.8%	0.7%
Hong Kong	2.0%	1.8%	1.9%	2.1%	2.3%	2.4%
China + Hong Kong	2.6%	2.4%	2.6%	2.9%	3.1%	3.0%
Taiwan	0.6%	0.6%	0.6%	0.6%	0.7%	0.7%
Singapore	2.1%	1.8%	1.7%	1.8%	1.9%	4.0%

Source: US Dept of Commerce

TABLE 29, CONTINUED...

- Table 29 shows the growth the growth in the stock of US Direct Investment globally and in selected countries. According to US Department of Commerce data the total stock of US investment in China by end-year 2002 was only \$10.3 billion, down slightly from the \$11.4 billion shown for 2001.
- US data show that China is host to only 0.7 percent of US direct investments abroad, considerably less than the Hong Kong (2.4 percent) and Singapore (4.0 percent) shares.
- The \$10.3 billion 2002 reported stock position in China per US data contrasts markedly with the stock that would be expected to cumulate from the "Amounts Utilized" indicated by China FDI inflow data which, for the period 1992-2003 alone totaled \$37.6 billion (see table 26) .
- China does not publish stock data by country of origin but there are a variety of reasons why cumulating data on China's reported inflows and matching them against US position data may yield very different results.
- There has been no definitive study to rationalize the differences between US statistics on FDI stocks and flows and the statistics of China and other countries. Informed opinions, however, offer several reasons. One important reason is that US data reflects the first destination of FDI outflows, not the ultimate destination. For example, a good bit of FDI sent to Hong Kong by US and other foreign investors is doubtless recycled to China. The US investments in Hong Kong, however, are recorded in US statistics as FDI in Hong Kong. Other countries, including the Virgin Islands may also be intermediaries for FDI destined for China.
- Also, US direct investment data attempts to measure only those capital flows that have actually occurred, not the value of contracted amounts. Other countries may, by contrast, record the total amount of a contract when it is entered into, even though capital movements may not coincide in timing.
- It is also thought that, in some instances, the total amount of the investment transaction may be recorded by some countries as a direct investment from the investor country, even though part of the investment capital may be raised in the host country.
- These measurement difficulties and uncertainties place limitations on the ability of FDI data to measure stocks and flows with precision. Nevertheless, the available data should provide useful indicators of national and global trends. And, if a country applies its own measurement standards consistently, its data should provide a reasonably accurate, if not precise, description of the growth trends and directions of the direct investments it hosts and the relative shares of the country sources of that investment.